

## Message Text

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15

ORIGIN COME-00

INFO OCT-01 EUR-12 ISO-00 EB-07 AGR-05 CIAE-00 INR-07

LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01 FRB-03

OMB-01 NIC-01 SAJ-01 TAR-01 L-02 BIB-01 NSC-05 /055 R

DRAFTED BY COM/BEWT/EE/MHUTCHINSON/SM

APPROVED BY EUR - J. A. ARMITAGE

COM/BEWT/EE/JATREICHEL

COM/BEWT/OEWD/SRABRAHAMSON

COM/BEWT/OD/ATDOWNEY

STATE/EUR/EE/DMILLER

----- 029076

R 202240Z MAR 75

FM SECSTATE WASHDC

TO AMEMBASSY BUDAPEST

INFO AMEMBASSY BERLIN

AMEMBASSY PRAGUE

AMEMBASSY BUCHAREST

AMEMBASSY WARSAW

AMEMBASSY SOFIA

AMEMBASSY MOSCOW

AMEMBASSY BELGRADE

C O N F I D E N T I A L STATE 063712

E.O. 11652: GDS

TAGS: PFOR, ETRD, BEXP, BTRA, XH

SUBJECT: KALLOS VISIT TO U.S. AND MEETINGS WITH USG  
OFFICIALS

REF: STATE 58863

1. HUNGARIAN CHAMBER PRESIDENT

KALLOS MET WITH BUSINESS

LEADERS IN NEW YORK MARCH 10 THROUGH 12 FOLLOWED BY TRIP  
TO WASHINGTON FOR SIGNING OF COOPERATION AGREEMENT BETWEEN  
TWO CHAMBERS. DURING VISIT TO WASHINGTON KALLOS MET  
WITH COMMERCE SECRETARY DENT, BEWT DIRECTOR DOWNEY, AND  
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STATE DEPUTY ASSISTANT SECRETARY ARMITAGE. COURTESY CALL

ALSO PAID ON FRANK ZARB, ADMINISTRATOR, FEDERAL ENERGY ADMINISTRATION. AFTER WASHINGTON, KALLOS MADE ONE DAY VISIT TO CLEVELAND WHERE HE MET WITH GROUP OF CLEVELAND BUSINESS EXECUTIVES, INCLUDING CYRUS EATON, BEFORE RETURNING TO BUDAPEST.

2. KALLOS MEETINGS WITH USG OFFICIALS WERE CORDIAL WITH HOPES RAISED BY BOTH SIDES FOR PROGRESS IN THE TRADE AREA WHILE KALLOS' VISIT WAS PRIMARILY FOR THE SIGNING OF THE CHAMBER AGREEMENT, HE WAS OBVIOUSLY WELL BRIEFED BY THE GOH ON GOVERNMENT-TO-GOVERNMENT ISSUES AND TOOK CARE TO ENSURE THAT THESE VIEWS WERE MADE KNOWN. HE EXPRESSED SATISFACTION WITH MEETINGS WITH PRIVATE BUSINESSMEN IN NEW YORK AND CLEVELAND.

3. IN MEETING WITH SECRETARY DENT, WHICH LASTED NEARLY AN HOUR, KALLOS MADE REFERENCE TO THE DUMPING PROVISIONS OF THE TRADE ACT STATING THAT HUNGARIAN COMPANIES WERE NOT ABLE TO DUMP BECAUSE, IF HUNGARIAN ENTERPRISES DID NOT MAKE A PROFIT, COMPANY OFFICIALS DID NOT GET PAID. IN RESPONSE TO THE SECRETARY'S REFERENCE TO U.S. DEFICIT IN U.S.-HUNGARIAN TRADE, KALLOS RAISED THE "GOLD COINS" ISSUE STATING THAT THE GOLD BLANKS WERE OF SWISS ORIGIN AND THAT HUNGARY ONLY MADE A TWO AND A HALF PERCENT PROFIT ON THE WHOLE TRANSACTION. HE STATED THAT U.S. STATISTICS SHOWED THEM AS A HUNGARIAN EXPORT TO THE U.S. THOUGH IT REALLY HAD NOTHING TO DO WITH HUNGARY. KALLOS ALSO CONGRATULATED DENT ON HIS NEW POSITION BUT REGRETTED HIS LEAVING COMMERCE.

4. KALLOS EXPRESSED DISAPPOINTMENT WITH THE TRADE ACT SAYING THAT THE HUNGARIANS HAD NEVER HEARD OF A PACKAGE DEAL CONNECTING MFN WITH EMIGRATION. THE SECRETARY RESPONDED THAT MANY WERE HAVING SECOND THOUGHTS ABOUT TITLE IV OF THE ACT, BUT THAT WE WOULD HAVE TO MOVE AHEAD AS BEST WE COULD IN THE PRESENT SITUATION. KALLOS THOUGHT THAT LACK OF MFN WAS AN IMPORTANT PSYCHOLOGICAL BRAKE AND BOTH AGREED THAT PATIENCE WOULD BE NECESSARY. IN CONNECTION WITH THE ACT, KALLOS HOPED THAT AMERICANS

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DID NOT CONSIDER EASTERN EUROPE AS A BLOC BUT AS A GROUP OF INDIVIDUAL NATIONS.

5. IN SHORT MEETING WITH DOWNEY, KALLOS EXPRESSED STRONG HOPE THAT AGREEMENT WITH U.S. CHAMBER WOULD NOT INHIBIT ACTIVITIES OF BUREAU OF EAST-WEST TRADE IN DEVELOPING U.S. TRADE RELATIONS WITH HUNGARY. HE HOPED BUREAU WOULD COORDINATE CLOSELY WITH U.S. CHAMBER IN CARRYING OUT

TASKS OF NEWLY FORMED ECONOMIC COUNCIL. HE NOTED THAT BEWT, AS WELL AS U.S. SECTION OF INTERNATIONAL CHAMBER IN NEW YORK, WERE ALSO NATURAL PARTNERS OF HUNGARIAN CHAMBER. IN THREAD COMMON TO ALL KALLOS' MEETINGS WITH USG OFFICIALS, KALLOS EMPHASIZED ROLE OF CHAMBER IN HUNGARY AS IMPORTANT LOBBYING ORGANIZATION WITHIN HUNGARIAN GOVERNMENT AND HOPED THAT BUREAU AND OTHER USG ORGANIZATIONS WOULD PERFORM SAME FUNCTION IN U.S. HE ARGUED THAT IMPORTANT FUNCTION OF HIS VISIT TO U.S. WAS LOBBYING ROLE WITH U.S. INDUSTRY AND GOVERNMENT (TO IMPROVE LEGISLATIVE AND SURROUNDING ENVIRONMENT).

6. IN MEETING WITH ARMITAGE, KALLOS OUTLINED ROLE OF HUNGARIAN CHAMBER IN HUNGARIAN ECONOMY. TRADE ACT WAS AGAIN DISCUSSED, WITH ARMITAGE EMPHASIZING EFFORTS OF SECRETARY KISSINGER TO WORK WITH CONGRESS TOWARD NORMAL TRADING RELATIONSHIPS. KALLOS SAID MEMBER ENTERPRISES OF CHAMBER WERE BITTERLY DISCOURAGED WITH THE ACT. ON POSITIVE SIDE WERE VISITS OF BIRO, DENT, VALYI, NYERGFIS, AND ZARB.

THE TERMS OF THE ACT WERE NOT ACCEPTABLE TO THE U.S.S.R. AND HUNGARY COULD NOT ACCEPT THEM EITHER. KALLOS WENT ON TO SAY THAT CASEY HAD TOLD HIM THAT THE BALL WAS IN THE HUNGARIAN COURT, BUT, TO THE CONTRARY, IT WAS IN THE U.S. COURT. ARMITAGE RESPONDED BY SAYING IT WAS IN "EVERYBODY'S COURT".

7. KALLOS MENTIONED THAT HUNGARY HAD A POOR BALANCE OF TRADE WITH THE U.S. (USING UNGARIAN FIGURES OF THIRTY MILLION DOLLARS EXPORTS TO U.S. AND ONE HUNDRED TWENTY MILLION DOLLARS IMPORTS FROM U.S.). HE STATED THAT U.S. WAS NOT AN EASY MARKET ANYWAY BECAUSE OF DISTANCE, NEED

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FOR IMPROVEMENT IN QUALITY OF HUNGARIAN GOODS (WHICH HUNGARY INTENDED TO BRING ABOUT THROUGH SPECIALIZATION), ETC.

8. WHEN ASKED BY ARMITAGE WHERE WE WERE GOING FROM HERE, KALLOS SAID THAT THE HUNGARIANS WERE SHOWING WHERE WE WERE GOING BY BEING HERE (IN THE U.S.). BUT NOT MUCH MORE WAS POSSIBLE, OTHER THAN SHOWING INTEREST, IN THE CURRENT ENVIRONMENT.

COMMENT: KALLOS CAME THROUGH ON SUBSTANTIVE ISSUES MORE STRONGLY THAN EXPECTED. HE CLEARLY HAD BEEN THOROUGHLY BRIEFED ON U.S.-HUNGARIAN GOVERNMENT-TO-GOVERNMENT ISSUES WITH INTENT TO RAISE THESE ISSUES WHEN PROPER OCCASIONS AROSE. KALLOS, HIMSELF STRONGLY INTERESTED IN U.S.-

HUNGARIAN TRADE TIES, ALSO OBVIOUSLY FELT OBLIGED TO LOBBY AS HARD AS POSSIBLE FOR A CHANGE IN THE U.S. LEGISLATION IN HIS OWN RIGHT. IT IS WORTH NOTING THAT, IN HIS MEETINGS WITH USG OFFICIALS, HE MADE ONLY FLEETING REFERENCE TO THE NEWLY SIGNED JOINT CHAMBER AGREEMENT EMPHASIZING RATHER THE DIFFICULTIES WHICH REMAIN IN THE BILATERAL FORMAT. THIS MAY ALSO REFLECT HIS DESIRE TO MAINTAIN FOR HIMSELF A ROLE IN TRADE POLICY AND TO AVOID BEING SHUNTED OFF INTO AREA OF TRADE DEVELOPMENT" INGERSOLL

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